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SOURCE Wen-hui Pao.

CHINA'S PETROLEUM PROBLEM

In 1906 the Manchu government of China invited foreign technicians to develop oil resources in Yen-ch'ang Hsien in Shensi. A daily production of 400 - 500 catties was secured at that time, the first instance of domestic oil production.

In 1913 the Republican government at Pei-p'ing entered into a contract with the Standard Oil Company for development of oil resources in Yen-ch'ang, Fu-shih (Yen-an) and Ch'ung-pu hsiens in Shensi. Because of political disorders in Shensi the project was delayed for a period of years. Subsequently the Shensi authorities, using the discarded equipment, drilled eight wells, of which one was a producer. In 1933 the Chinese National Resources Commission deepened four of the wells in the Yen-ch'ang--Yang-p'ing area. Three of them produced very small quantities of good oil.

The opening of oil production in Kansu occured during the war. Eight wells were drilled in the Yu-men--Lao-chun-miao area late in 1941. Later three deeper ones were drilled, including one producing 500 to 600 t'ung /a Chinese unit equal to 42 gallons/ daily. In 1943 over 10 more wells were sunk, which produced more than 20 million gallons a year.

Yu-men Production Table (in t'ung)

	Crude Oil	Gasolene	Kerosene	Diesel Oil
1939	28,784	4,160	4,101	7,393
1940	414,702	73,463	32,335	61,535
1941	3,635,109	209,321	112,590	141,125
1942	14,262,330	1,995,724	596,935	53,090
1943	18,769,785	3,036,594	558,458	28,468
1944	21,202,450	4,047,940	2,157,657	155,374
1945	20,253,960	3,766,347	1,654,197	270,292

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STATE	X	NAVY	X	NSRB	DISTRIBUTION						
ARMY	X	AIR	X	FBI	MEPC X						

Prospecting was carried on in Sinkiang and Szechwan during the war. Szechwan has yielded no oil, but has large quantities of natural gas. The chief production center for the gas is at Sheng-teng Shan, where the yield is more than a million cubic meters a day.

A refinery with a crude oil refining capacity of 1,300 t'ung per day was completed by the Russians at Wu-la-tu-shan-tzu in Sinkiang in 1940. Four wells with an average daily capacity of 130-140 t'ung were sunk. In 1943 the refinery was dismantled and returned to Russia. The oil enterprise gradually closed down.

In Taiwan the Japanese sunk 256 wells during their occupation. After the war 70 wells remained in production with a daily output of 40 t'ung. The oil area is along the west coast in the area of Byoritsu and Shinei. The refinery at Takao has a capacity of over 7,000 t'ung per day.

While there are no oil reserves exploited in Manchuria, the Japanese had a refinery at Chin-hsi with a daily capacity of 3,000 t'ung. At Chin-chan, Sai-ping-chieh and Fung-chi, the Japanese had plants for producing synthetic oil and oil from coal. They were largely destroyed during the war and would be difficult to restore.

Since the war, petroleum production in China has been controlled by the China Petroleum Company, a government monopoly.

The following production and projected production figures have been provided by this company. The unit is gallons.

	Gasoline	Kerosene	Diesel Oil
1946	4,435,000	2,260,000	326,500
1947 (estimate)	18,000,000	12,000,000	7,102,000
1948 (estimate)	17,384,000	7,102,000	28,397,400

During and after the war Kansu province was the main source of China's domestic petroleum production. Of 28,025,181 gallons of crude oil produced in 1946, 27,179,089 gallons came from Kansu and 846,092 from Taiwan.

The refineries at Takao and Chin-hsi must be supplied by imports. The estimated imports for 1948 are 44,520,000 gallons. China's comparatively slight oil production poses a real problem for the country's future.

Before the recent war, more than 60 percent of China's oil imports came from Dutch Indonesia, with America second as a supplier. Since the war America has become the chief supplier, followed by Iran and Saudi Arabia.

The following table reveals, in percentage, the extent and nature of the shift.

Year	Supplier	Gasoline	Kerosene	Diesel	Lubricants
1935	Indonesia	62.32	71.62	64.19	7.70
	United States	32.04	22.50	24.05	82.44
1946	United States	57.61	40.16	33.04	98.67
	Iran	17.83	2.59	12.61	-
1947	United States	53.12	46.67	19.54	97.45
	Iran	26.90	29.33	36.13	-

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Oil requirements of liberated China will cost 50 million-60 million US dollars annually. The new China, however, will require a large amount of foreign capital for reconstruction. Consequently one of her biggest questions is how to cut down on the foreign exchange drain for oil imports, either by economy of consumption or by seeking self-sufficiency.

With estimated reserves of 1,375,000,000 t'ung, China could, with optimum exploitation, meet her current consumption needs for 70 years. Since present domestic production only provides about 10 percent of present consumption, the drain on foreign exchange to provide the needed imports is a vital factor in the total economy of the country.

China should therefore seek self-sufficiency in oil. How to do so is the big question.

Three suggestions may be offered.

1. Measures should be taken to increase production of present oil fields in Kansu and Taiwan, develop shale-oil resources in Manchuria and Shensi, and develop the production of oil from soft coal. Modern processes of extraction have produced 90 kilograms of crude petroleum, which yielded about four gallons of gasoline, from one ton of Ta-t'ung coal. China has immense reserves of this type of coal.

2. Most of China's imports of petroleum products have been used for motor transport and lighting. Strict reduction of vehicle usage to basic needs would result in a great saving. Substitutes for kerosene, such as natural gas, electricity in cities, and other domestic oils, could greatly reduce the demand for kerosene.

3. A general adjustment of the national economy, by extending the railway service and development of electricity, will be necessary to match the campaign for decreased petroleum consumption; otherwise the restriction of petroleum consumption alone would throw the general economy out of gear.

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